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CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS

**WEEDMD INC.**  
(Formerly Aumento Capital V Corporation)

Three and Nine Months Ended September 30, 2017  
(Unaudited - Expressed in Canadian Dollars)

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**WeedMD Inc.**  
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**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Three and Nine Months Ended September 30, 2017  
(Unaudited)

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## **NOTICE TO READERS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed interim financial statements by an entity's auditor.

Bruce Dawson-Scully, Director  
November 29, 2017



# WeedMD Inc.

(Formerly Aumento Capital V Corporation)

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Expressed in Canadian Dollars)

Nine-month periods ended September 30, 2017 and 2016

	Number of Shares	Share Capital	Warrants	Conversion Feature	Contributed Surplus	Deficit	Total
<b>Balance, January 1, 2016</b>	<b>34,459,583</b>	<b>\$ 7,457,189</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 746,000</b>	<b>\$ (5,596,669)</b>	<b>\$ 2,606,520</b>
Share issuance	1,948,990	1,461,742	-	-	-	-	1,461,742
Share issue cost		(127,468)					(127,468)
Net loss for the period		-	-	-	-	(1,230,715)	(1,230,715)
<b>Balance, September 30, 2016</b>	<b>36,408,573</b>	<b>\$ 8,791,463</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 746,000</b>	<b>\$ (6,827,384)</b>	<b>\$ 2,710,079</b>
<b>Balance, January 1, 2017</b>	<b>36,728,573</b>	<b>\$ 9,031,463</b>	<b>\$ -</b>	<b>\$ 181,217</b>	<b>\$ 1,456,743</b>	<b>\$ (7,586,596)</b>	<b>\$ 3,082,827</b>
Conversion of debentures (Note 12)	10,133,333	7,600,000	-	(181,217)	181,217	-	7,600,000
Increase in shares due to share split 1:1.25 (Note 12)	11,715,477	-	-	-	-	-	-
Fair value of shares issued in reverse takeover (Note 12)	1,939,682	1,163,809	-	-	-	-	1,163,809
Share issuance (Note 12)	1,241,667	1,048,750	-	-	-	-	1,048,750
Share issue cost (Note 12)	-	(1,804)	-	-	-	-	(1,804)
Warrant issuance (Note 13)	-	-	583,220	-	-	-	583,220
Stock option grant (Note 14)	-	-	-	-	947,553	-	947,553
Net loss for the period	-	-	-	-	-	(6,510,126)	(6,510,126)
<b>Balance, September 30, 2017</b>	<b>61,758,732</b>	<b>\$ 18,842,218</b>	<b>\$ 583,220</b>	<b>\$ -</b>	<b>\$ 2,585,513</b>	<b>\$ (14,096,722)</b>	<b>\$ 7,914,229</b>

See accompanying notes to condensed interim consolidated financial statements

# WeedMD Inc.

(Formerly Aumento Capital V Corporation)

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian Dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 356,479	\$ -	\$ 592,138	\$ -
Production costs	(576,874)	-	(1,811,369)	-
Gain on change in fair value of biological assets (Note 7)	408,651	296,363	1,420,177	296,363
<b>Gross profit</b>	<b>188,256</b>	296,363	<b>200,946</b>	296,363
<b>Expenses</b>				
Office and administration	190,651	83,971	716,690	360,801
Salaries and benefits	229,205	77,936	639,072	355,865
Consulting fees	81,540	96,412	173,105	249,913
Rent and occupancy costs	42,662	94,885	129,139	240,499
Share-based compensation (Note 14, 15)	48,794	150,000	1,996,303	150,000
Amortization	5,181	85,618	16,746	91,534
Travel and accommodation	25,979	13,947	126,189	47,213
Business development	77,536	8,096	227,431	19,977
Professional fees	53,273	7,832	273,235	19,430
	(754,821)	(618,697)	(4,297,910)	(1,535,232)
<b>Loss before other income and expenses</b>	<b>(566,565)</b>	(322,334)	<b>(4,096,964)</b>	(1,238,869)
Interest income	8,758	10,975)	31,190	15,365
Accretion expenses (Note 11)	-	-	(942,529)	-
Interest expenses (Note 11)	-	-	(266,521)	-
Foreign exchange loss (gain)	-	(7,304)	(450)	(7,211)
Listing expense (Note 6)	-	-	(1,234,852)	-
	8,758	3,671	(2,413,162)	8,154
<b>Net comprehensive loss</b>	<b>\$ (557,807)</b>	\$ (318,663)	<b>\$ (6,510,126)</b>	\$ (1,230,715)
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	\$ (0.01)	<b>\$ (0.13)</b>	\$ (0.04)
Weighted average number of common shares outstanding	61,758,732	35,222,830	51,830,373	34,784,644

See accompanying notes to condensed interim consolidated financial statements

# WeedMD Inc.

(Formerly Aumento Capital V Corporation)

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Expressed in Canadian Dollars)

Nine month period ended September 30,	2017	2016
Cash flows provided by (used in):		
<b>Operating</b>		
Net loss	\$ (6,510,126)	\$ (1,230,715)
Adjustments for non-cash items		
Amortization	252,317	91,534
Accretion and interest expense	1,209,050	-
Gain on change in fair value of biological assets	(1,420,177)	(296,363)
Share-based compensation	1,996,303	216,750
Listing expenses	1,234,852	-
	<b>(3,237,781)</b>	<b>(1,218,794)</b>
Change in working capital items		
Interest and other receivable	(4,181)	(8,252)
Prepaid expenses and deposit	6,806	7,828
Other taxes receivable	(297,290)	(43,756)
Inventory	(548,534)	-
Accounts payable and accrued liabilities	85,745	(33,939)
	<b>(3,995,235)</b>	<b>(1,296,913)</b>
<b>Investing</b>		
Loans receivable	39,200	276,833
Purchase of property, plant and equipment	(586,277)	(76,072)
	<b>(547,077)</b>	<b>200,761</b>
<b>Financing</b>		
Loan payable	-	(57,590)
Share issuance	-	1,244,992
Cash acquired through reverse takeover	535,246	-
Share issuance cost	(1,804)	(127,468)
	<b>533,442</b>	<b>1,059,934</b>
Increase (decrease) in cash	<b>(4,008,870)</b>	<b>(36,217)</b>
<b>Cash, beginning of period</b>	<b>6,754,976</b>	<b>959,569</b>
<b>Cash, end of period</b>	<b>\$ 2,746,106</b>	<b>\$ 923,352</b>
<b>Cash consists of:</b>		
Cash	2,746,106	\$ 818,416
Cash held in trust	-	104,936
<b>Cash, end of period</b>	<b>\$ 2,746,106</b>	<b>\$ 923,352</b>

See accompanying notes to condensed interim consolidated financial statements

# WeedMD Inc.

(Formerly Aumento Capital V Corporation)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine month periods ended September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

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### 1. Nature of Operations

WeedMD Inc. (formerly Aumento Capital V Corporation) is a publicly traded corporation on the TSX Venture Exchange that trades under the ticker symbol "WMD". The main and registered office of the Company is located at 250 Elm Street, Aylmer, Ontario.

The consolidated financial statements of WeedMD Inc. as at September 30, 2017 comprise of WeedMD Inc. and its wholly owned subsidiaries: WeedMD Rx Inc., WeedMD Rx Ltd. and WMD Ventures Inc. (the "Company").

WeedMD Rx Inc. was incorporated on March 26, 2013 under the Canada Business Corporations Act as 8472106 Canada Inc. On January 7, 2014, the Company filed its articles of amendment, changed its name to WeedMD Rx Inc. and commenced operations. On April 22, 2016, WeedMD was licensed to produce medical cannabis under the federal Access to Cannabis for Medical Purposes Regulations ("ACMPR").

WeedMD currently operates a 25,620 sq. ft. former Imperial Tobacco facility in Aylmer, Ontario, which it has retrofitted into a secure medical cannabis production facility with an annual production capacity in excess of 1,200 kg. The company operates in one sector: the production and sale of medical cannabis. All of its assets and operations are located in Ontario, Canada.

On April 13, 2017, the Company completed a transaction by way of a three-cornered amalgamation (the "Amalgamation") among WeedMD Rx Inc., WeedMD Inc., and a wholly-owned subsidiary of the Company (the "Transaction"). The Transaction resulted in the acquisition by the Company of all the issued and outstanding securities in the capital of WeedMD, which became a wholly-owned subsidiary of the Company. As part of the Transaction, the Company changed its name from "Aumento Capital V Corporation" to "WeedMD Inc."

Pursuant to the Transaction, the shareholders of WeedMD were given 1.25 common shares in the Company for each common share of WeedMD registered in the names of such shareholders. Additionally, holders of WeedMD's options and warrants outstanding at the time of closing the Transaction also received equivalent instruments of the Company exercisable for or convertible into the Company's common shares.

On April 28, WeedMD was issued a renewal to its ACMPR license, valid until April 24, 2020. At the same time WeedMD received an amendment to its license allowing for the sale and distribution of dried cannabis and live cannabis plants. At the end of the license term, WeedMD will submit for a further renewal. WeedMD has no information that would lead it to believe that the license would not be renewed again at that time.

Furthermore, under the amended license, the amount of cannabis that WeedMD is permitted to produce and store is limited only by the capacity of the vault it has built onsite. As WeedMD's vault is considered a level "10" vault by Health Canada standards, this limit is \$150,000,000.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has financed its working capital requirements primarily through equity and debt financings. The Company's ability to continue as a going concern is dependent upon its ability to commence profitable operations, generate positive cash flows from operations and raise additional financing in order to meet current and future obligations. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to obtain additional financing or that such financing will be available on reasonable terms.

# WeedMD Inc.

(Formerly Aumento Capital V Corporation)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine month periods ended September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

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### 1. Nature of Operations (continued)

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### 2. Financial Statements

#### Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 5.

#### Basis of consolidation

The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date control ceases. WeedMD Rx Inc. is a wholly-owned subsidiary of WeedMD. WMD Ventures Inc. and WeedMD Rx Ltd. are 100% subsidiaries of WeedMD Rx Inc. and are currently dormant.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency of the condensed interim consolidated financial statements.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed interim consolidated financial statements.

### 3. Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The financial statements should be read in conjunction with the audited annual financial statements of WeedMD for the years ended December 31, 2016 and 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on November 28, 2017.

### 4. New Accounting Standards and Interpretations

#### (a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

#### (b) IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-

# WeedMD Inc.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine month periods ended September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

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### 4. New Accounting Standards and Interpretations (continued)

maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The effective date of this pronouncement has been set to be effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt the amendments to IFRS 9 in its financial statements for the annual period beginning January 1, 2018.

#### (c) IFRS 16 Leases

IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will reflect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases.

The Standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

The Company has completed its initial evaluation of the effect of adopting the above standards and amendments and expects the impact that they may have on its consolidated financial statements to be immaterial.

### 5. Significant Accounting Policies

The accounting policies applied by the Company in these Condensed Interim Consolidated Financial Statements are the same as those applied by the Company in its Consolidated Financial Statements for the year ended December 31, 2016 except for updates made to the following:

#### Revenue recognition

Revenue is recognized at the fair value consideration received or receivable. Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the Company has shipped the product to customers.

#### Biological assets

Valuation of biological assets and inventories: Biological assets consisting of cannabis plants are measured at fair value less costs to sell up to the point of harvest. Determination of the fair values of the biological assets requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis plants up to the point of harvest, costs to convert the harvested plants to finished goods, sales price, risk of loss, expected remaining future yields for the plants, and estimating values during the growth cycle. The valuation of biological assets at the point of harvest is the cost basis for all cannabis based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

# WeedMD Inc.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine month periods ended September 30, 2017

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### 6. Qualifying Transaction

On April 13, 2017, WeedMD Inc. completed a transaction by way of a three-cornered amalgamation (the "Amalgamation") of WeedMD Rx Inc. and WeedMD Inc. (formerly Aumento Capital V Corporation (the "Transaction"). The Transaction consisted of the acquisition by the Company of all of the issued and outstanding securities in the capital of WeedMD Rx Inc. by way of a three-cornered amalgamation, pursuant to which a wholly-owned subsidiary of the Company amalgamated with WeedMD Rx Inc.

Pursuant to the Transaction, each WeedMD Rx Inc. shareholder received 1.25 common shares in the capital of the Company for each WeedMD Rx Inc. common share held, resulting in the issuance of an aggregate of 58,577,376 common shares of the Company to shareholders of WeedMD Rx Inc. As part of the Transaction, warrants, compensation options and stock options of WeedMD Rx Inc. were replaced with common share purchase warrants, compensation options and stock options of the Company with adjustments to their exercise or conversion terms to reflect the exchange ratio for the WeedMD Rx Inc. common shares under the Transaction, resulting in the issuance of: (i) common share purchase warrants exercisable to purchase up to 14,888,486 common shares at an exercise price of \$0.80 per share; (ii) stock options exercisable to purchase up to 3,312,500 common shares at an exercise price of \$0.60 per share; and (iii) 440,000 compensation options exercisable into units at an exercise price of \$0.60 per unit, with each unit comprised of a common share and one-half of one warrant, with each whole warrant exercisable into a common share at an exercise price of \$0.80.

As part of the Transaction, the Company changed its name from "Aumento Capital V Corporation" to "WeedMD Inc."

As a result of the Transaction, WeedMD Rx Inc. is now a wholly-owned subsidiary of the Company. The Company will continue the business of WeedMD Rx Inc. which is licensed under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") to produce and sell dried cannabis and live cannabis plants from its facility located in Aylmer, Ontario.

Prior to the Transaction, Aumento Capital V Corporation was a Capital Pool Company (as defined under the policies of the TSX Venture Exchange (the "Exchange"), had not commenced commercial operations and had no assets other than cash. The Transaction constituted Aumento Capital V Corporation's "Qualifying Transaction", as such term is defined in Policy 2.4 of the Exchange.

Following the completion of the Transaction (on a post-acquisition basis), the Company had a total of 60,517,058 common shares outstanding, as well as: (i) common share purchase warrants exercisable to purchase up to 14,888,486 common shares at an exercise price of \$0.80 per share; (ii) stock options exercisable to purchase up to 3,497,332 common shares at exercise prices ranging from \$0.60 - \$0.80 per share; (iii) 440,000 compensation options exercisable into units at an exercise price of \$0.60 per unit, with each unit comprised of a common share and one warrant, with each warrant exercisable into a common share at an exercise price of \$0.80; and (iv) 1,125,000 common shares issuable to certain officers of the Company upon WeedMD Rx Inc. receiving the Sales License (the "Compensation Shares").

At the time of the completion of the Transaction, an aggregate of 23,388,441 common shares were subject to escrow pursuant to Exchange escrow requirements (not including the Compensation Shares which also became subject to escrow upon issuance).

The fair value of the consideration issued for the net assets of Aumento Capital V Corporation and warrants issued on liquidity event is as follows:

# WeedMD Inc.

(Formerly Aumento Capital V Corporation)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine month periods ended September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

### 6. Qualifying Transaction (continued)

Common shares outstanding prior to share consolidation		1,939,682
Price per share	\$	0.60
Cost of acquisition		1,163,809
Fair value of net assets, including cash of \$535,246		(512,177)
		651,632
Fair value of warrants issued on liquidity event		583,220
Listing expense	\$	1,234,852

The purchase price was recorded as an increase in share capital of \$651,632 and warrant reserve of \$583,220.

The listing expense of \$1,234,852 was recorded as an expense.

### 7. Loans Receivable

	Promissory Note 1	Promissory Note 2	Total
<b>Balance, as at January 1, 2016</b>	\$ 242,200	\$ 101,833	\$ 344,033
Assignment of note receivable	(85,414)	67,200	(18,214)
Foreign exchange loss	18,214	-	18,214
Repayment	(175,000)	(129,833)	(304,833)
<b>Balance, as at December 31, 2016</b>	-	39,200	39,200
Repayment	-	(39,200)	(39,200)
<b>Balance, as at September 30, 2017</b>	\$ -	\$ -	\$ -

Promissory Note 1: On July 7, 2014, pursuant a promissory note agreement, US\$175,000 (equivalent to Cdn\$186,375) was loaned to an unrelated party. Such promissory note bears interest at 5% per annum and is due upon demand. The principal of this promissory note was outstanding as at December 31, 2015. During the year ended December 31, 2016, \$18,214 foreign exchange had been recognized and \$3,335 earned and recognized as interest income. In 2016, upon an agreement of debt assignment, the balance of Promissory Note 1 was transferred to the holder of Promissory Note 2.

Promissory Note 2: On October 16, 2014, pursuant a promissory note agreement, \$100,000 was loaned to a related party. An additional \$100,000 was loaned to the related party on February 4, 2015. Such promissory note bears interest at prime per annum +1.5%. The balance of the principal of this promissory note shall at any time not exceed \$200,000 and the promissory note is due upon demand. During year ended December 31, 2016, \$6,680 has been earned and recognized as interest income. During 2016 the principal and interest of the original promissory note has been collected in full. The balance as at December 31, 2016 represented the uncollected equivalent Canadian dollars balance of Promissory Note 1 that the related party assumed from the unrelated party under the same terms and conditions. The full outstanding balance was collected in March 2017.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine month periods ended September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

### 8. Biological Assets and Inventory

The Company's biological assets consists of medical cannabis plants.

The change in the carrying value of the Company's biological assets are as follows:

<b>Carrying amount, January 1, 2017</b>	<b>\$ 598,755</b>
Changes in fair value less costs to sell due to biological transformation	1,420,177
Transferred to inventory upon harvest	(1,204,332)
<b>Carrying amount, September 30, 2017</b>	<b>\$ 814,600</b>

All of the plants are to be harvested as agricultural produce (i.e., medical cannabis) or to be sold as live plants. All of the plants that are to be harvested are between one and twelve weeks from harvest.

Biological assets are classified as level 3 in the fair value hierarchy. There have been no transfers between levels. The significant assumptions used in determining the fair value of medical cannabis plants are as follows:

- Wastage of plants based on their various stages;
- Yield by plant;
- Percentage of costs incurred to date compared to the total costs to be incurred are used to estimate the fair value of an in-process plant;
- Selling price; and
- Percentage of costs incurred for each stage of plant growth was estimated.

The Company estimates harvest yields for the plants at various stages of growth. As of September 30, 2017, it is expected that the Company's biological assets that are to be harvested will yield approximately 257,602 grams, with selling prices ranging from \$3.00 to \$6.00 per gram (December 31, 2016: \$3.50 to \$8.00 per gram), before discounts. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets and notes that a 10% decrease in selling prices would result in a \$136,957 decrease (December 31, 2016: \$108,259 decrease) in the fair value of the biological assets.

Inventory is comprised of harvested finished goods and is valued at the lower of cost and net realizable value. As at September 30, 2017 the Company held 633,845 grams (December 31, 2016: 91,391 grams) of dried cannabis.

	<b>September 30, 2017</b>	December 31, 2016
Finished goods	<b>\$ 2,409,961</b>	\$ 605,490

# WeedMD Inc.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine month periods ended September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

### 9. Property, Plant and Equipment

	Leasehold improvements	Security equipment	Equipment	Furniture and fixtures	Fence and signage	Total
<b><u>Cost</u></b>						
Balance, January 1, 2016	\$ 1,149,235	\$ 320,358	\$ 104,039	\$ 76,782	\$ 6,981	\$ 1,657,395
Additions	157,137	21,292	134,416	660	-	313,505
Balance, December 31, 2016	1,306,372	341,650	238,455	77,442	6,981	1,970,900
Additions	145,415	174,470	252,501	9,465	4,426	586,277
<b>Balance, September 30, 2017</b>	<b>\$ 1,451,787</b>	<b>\$ 516,120</b>	<b>\$ 490,956</b>	<b>\$ 86,907</b>	<b>\$ 11,407</b>	<b>\$ 2,557,177</b>
<b><u>Accumulated amortization</u></b>						
Balance, January 1, 2016	\$ -	\$ -	\$ -	\$ (17,613)	\$ -	\$ (17,613)
Amortization	(130,637)	(34,229)	(23,847)	(11,965)	(349)	(201,027)
Balance, December 31, 2016	(130,637)	(34,229)	(23,847)	(29,578)	(349)	(218,640)
Amortization	(210,336)	(49,378)	(36,526)	(7,183)	(497)	(303,920)
<b>Balance, September 30, 2017</b>	<b>\$ (340,973)</b>	<b>\$ (83,607)</b>	<b>\$ (60,373)</b>	<b>\$ (36,761)</b>	<b>\$ (846)</b>	<b>\$ (522,560)</b>
<i>Net book value, December 31, 2016</i>	<i>\$ 1,175,735</i>	<i>\$ 307,421</i>	<i>\$ 214,608</i>	<i>\$ 47,864</i>	<i>\$ 6,632</i>	<i>\$ 1,752,261</i>
<i>Net book value, September 30, 2017</i>	<i>\$ 1,110,814</i>	<i>\$ 432,513</i>	<i>\$ 430,583</i>	<i>\$ 50,146</i>	<i>\$ 10,561</i>	<i>\$ 2,034,617</i>

Total amortization for the nine months ended September 30, 2017 was \$303,920, of which \$51,603 (nine months 2016 - \$nil) has been capitalized in inventory, \$235,571 (nine months 2016 - \$nil) is included within production costs, and \$16,746 (nine months 2016 - \$91,535) is included in amortization expense.

Total amortization for the year ended December 31, 2016 was \$201,027, of which \$35,997 (2015 - \$nil) has been capitalized in inventory, \$152,851 (2015 - \$nil) is included in production costs, and \$12,179 (2015 \$12,094) is included in amortization expense.

### 10. Accounts Payable and Accrued Liabilities

	September 30, 2017	December 31, 2016
Trade payables	\$ 170,531	\$ 62,210
Government payables	190,555	125,114
Accrued liabilities	329,797	391,869
	<b>\$ 690,883</b>	<b>\$ 579,193</b>

As at September 30, 2017 and December 31, 2016, within the total outstanding accounts payable and accrued liabilities, \$Nil and \$58,772, respectively, were payable to the related parties (Note 15).

# WeedMD Inc.

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### 11. Convertible Debentures

	Debentures	Warrants (Contributed surplus)	Conversion Feature	Total
Issuance - November 8, 2016	\$ 7,003,731	\$ 383,128	\$ 213,141	\$ 7,600,000
Less: Issuance Costs:				
Cash commissions	(694,214)	(37,976)	(21,126)	(753,316)
Compensation Options	(354,794)	(19,408)	(10,798)	(385,000)
Total, net of issuance costs	5,954,723	325,744	181,217	6,461,684
Accrued Interest on Debentures	110,356	-	-	110,356
Accretion of Debentures	325,872	-	-	325,872
<b>Balance, December 31, 2016</b>	<b>\$ 6,390,951</b>	<b>\$ 325,744</b>	<b>\$ 181,217</b>	<b>\$ 6,897,912</b>
Accrued Interest on Debentures	266,520	-	-	266,520
Accretion of Debentures	942,529	-	-	942,529
Conversion of Debentures	(7,600,000)	(325,744)	(181,217)	(8,106,961)
<b>Balance, September 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

On November 8, 2016, WeedMD closed a \$7,600,000 convertible debenture unit financing (the "Convertible Debenture Financing") with a syndicate of agents (the "Agents"). Pursuant to the Convertible Debenture Financing, WeedMD issued 7,600 units (the "Units"), with each Unit comprised of one debenture (a "Debenture") with a principal amount of \$1,000 and a term of six months, and 1,333 common share purchase warrants (the "Warrants").

The Debentures were to mature on May 8, 2017 and accrue interest at a rate of 10% per annum; provided such interest would only be paid in the event WeedMD failed to complete a Liquidity Event. A "Liquidity Event" was defined as a transaction by way of a plan of arrangement, amalgamation, reverse take-over, qualifying transaction, or any other business combination or other similar transaction pursuant to which the common shares of WeedMD would be listed on the TSX Venture Exchange, the Canadian Securities Exchange or any other exchange as mutually agreed upon by the Company and the Agents. In the event of a pending Liquidity Event, the principal amount of the Debentures were convertible at the election of the holders at a conversion ratio of 1,333 common shares of WeedMD per \$1,000 principal amount of Debentures (conversion price of \$0.75 per share). All Debentures that remained outstanding immediately prior to the Liquidity Event were automatically converted by the Company into common shares of WeedMD and in no event were holders of Debentures entitled on the completion of a Liquidity Event to be repaid the principal amount of the Debentures in cash. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debentures assuming a market interest rate of 30% which was the estimated rate for the Debentures without the equity component (conversion feature and warrants). The effective interest rate of the Debenture after reflecting issuance costs was 62%.

A total of 10,130,800 warrants were issued and the warrants are exercisable into 10,130,800 common shares of WeedMD at an exercise price of \$1.00 per share for a period of two years from the completion of a Liquidity Event by WeedMD. The value of the warrants and the conversion feature attached to the Debentures were recognized as the difference between the value of the Units and the fair value of the liability component of the Debentures.

# WeedMD Inc.

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### 11. Convertible Debentures (continued)

The relative fair values of the warrants and the conversion feature, \$383,128 and \$213,141, respectively, were determined at the time of issue based on the Black-Scholes option pricing model. The warrant value was determined using the following assumptions in the Black-Scholes option pricing model: (i) share price \$0.75, (ii) dividend yield 0%, (iii) expected volatility 101%, (iv) risk free interest rate of 0.58%, (v) expected forfeiture rate 0%, and (vi) an expected life of two years. The conversion feature value was determined using the following assumptions in the Black-Scholes option pricing model: (i) share price \$0.75, (ii) dividend yield 0%, (iii) expected volatility 92%, (iv) risk free rate of 0.58%, (v) expected forfeiture rate 0%, and (vi) an expected life of six months.

In connection with the Convertible Debenture Financing, the Company paid cash commissions of \$753,316 and issued 352,000 compensation options to the Agents which are convertible into units for a period of two years following the liquidity event at an exercise price of \$0.75 per unit, with each unit comprised of one common share and one common share purchase warrant, each warrant convertible into a common share for a period of two years at an exercise price of \$1.00 per share. The fair value of the compensation options was estimated at \$385,000 with reference to the Black-Scholes option pricing model (refer to Note 13). The fair value of the compensation options is included in the Company's contributed surplus. The cash transaction costs and compensation options are directly attributable transaction costs and have been allocated to the liability and equity components in proportion to their initial carrying amounts.

On April 13, 2017, the Debentures were fully converted into 10,133,333 common share of the Company. (Note 12).

### 12. Share Capital

#### Authorized

Unlimited common shares

	Number of Common Shares	Amount
<b>Balance as at January 1, 2016</b>	<b>34,459,583</b>	<b>\$ 7,457,189</b>
Private placement one (May 30, 2016) (i)	588,999	441,749
Private placement two (September 19, 2016) (ii)	1,070,990	803,242
Share-based Compensation 2016 (iii)	200,000	150,000
Shares issued for services (iv)	89,001	66,751
Shares issued for services (v)	320,000	240,000
	<b>36,728,573</b>	<b>9,158,931</b>
Less: share issue costs		(127,468)
<b>Balance as at December 31, 2016</b>	<b>36,728,573</b>	<b>9,031,463</b>
Conversion of debentures (Note 11)	10,133,333	7,600,000
<b>Balance before completion of Qualifying Transaction</b>	<b>46,861,906</b>	<b>16,631,463</b>
Shares split 1:1.25 (Note 6)	11,715,477	-
Fair value of shares issued in reverse take over (Note 6)	1,939,682	1,163,809
Shares issued for services (Note 6), (vi) and (vii)	1,241,667	1,048,750
	<b>61,758,732</b>	<b>18,844,022</b>
Less: share issue costs		(1,804)
<b>Balance as at September 30, 2017</b>	<b>61,758,732</b>	<b>\$ 18,842,218</b>

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### 12. Share Capital (continued)

- (i) On May 30, 2016, the Company closed a private placement equity financing of \$441,749 and issued 588,999 common shares at a price of \$0.75 per share.
- (ii) On September 19, 2016, the Company closed a private placement equity financing of \$803,242 and issued 1,070,990 common shares at a price of \$0.75 per share.
- (iii) On September 20, 2016, the Company issued 200,000 common shares as debt settlement of consultant fees to third parties at a fair value of \$0.75 per share.
- (iv) On September 20, 2016, the Company issued 89,001 common shares in exchange for services at a fair value of \$0.75 per share.
- (v) On October 9, 2016, the Company engaged a consulting firm for their services to be rendered over a period of 12 months. The debt arising from this transaction of \$240,000 was settled through issuance of 320,000 common shares at a fair value of \$0.75 per share.
- (vi) On April 26, 2017, the Company issued 116,667 shares at a price of \$0.60 per share (\$0.87 on a pre-share split) for services.
- (vii) On June 15, 2017, the Company Issued 1,125,000 compensation shares at a price to \$0.87 to its key management personnel.

### 13. Warrants

	Number of Warrants	Exercise Price
<b>Balance as at January 1, 2016</b>	-	-
Warrants issued (November 8, 2016)	10,130,800	\$1.00
Broker warrants issued (November 8, 2016)	352,000	\$1.00
<b>Balance as at December 31, 2016</b>	<b>10,482,800</b>	
Increase in warrants due to share split 1:1.25	2,620,700	-
Warrants issued (April 13, 2017)	2,224,986	\$0.80
<b>Balance as at September 30, 2017</b>	<b>15,328,486</b>	

In connection with the Convertible Debenture Financing (Note 11) closed on November 8, 2016, WeedMD issued 10,130,800 warrants, exercisable into 10,130,800 common shares of WeedMD at an exercise price of \$1.00 per share for a period of two years from the completion of a Liquidity Event by WeedMD. The fair value of the warrants was initially estimated as \$383,128 with reference to the Black-Scholes option pricing model (refer to Note 11).

In connection with the Convertible Debenture Financing, the Company issued 352,000 compensation options to the Agents which are convertible into units for a period of two years following the Liquidity Event at an exercise price of \$0.75 per unit, with each unit comprised of one common share and one common share purchase warrant, each warrant convertible into a common share for a period of two years at an exercise price of \$1.00 per share. The fair value of the compensation options was estimated as \$385,000 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%, (iii) risk-free rate of 0.70%, (iv) unit price of \$1.23; (v) forfeiture rate of 0; (vi) expected life of two years.

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### 13. Warrants (continued)

On April 13, 2017, the Company issued 2,224,986 warrants to various parties participated in the Debentures financing (Note 11), with exercise price of \$0.80 and for a period of two years following the date of issuance. The fair value of the warrants was estimated as \$583,220 with reference to the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 58.84%; (iii) risk-free rate of 0.74%; (iv) unit price of \$0.80; (v) forfeiture rate of 0; (vi) expected life of two years. The expected volatility is based on the Company's past trading prices since the data is available.

### 14. Contributed Surplus

<b>Balance as at January 1, 2016</b>	<b>\$ 746,000</b>
Warrants issued (November 8, 2016)	325,743
Convertible debentures (November 8, 2016)	385,000
<b>Balance as at December 31, 2016</b>	<b>1,456,743</b>
Conversion features realized (April 13, 2017)	181,217
Stock options issued and vested	947,553
<b>Balance as at September 30, 2017</b>	<b>\$ 2,585,513</b>

#### *Stock options*

The Corporation has established a stock option plan for its directors, officers and technical consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

As at September 30, 2017, the Company's outstanding stock options consists the following:

	Number of options	Fair Value	Exercise price	Expiry date
<b>Balance as at January 1, 2017</b>	<b>184,832</b>	<b>\$ 36,371</b>	<b>\$0.60</b>	<b>November 12,,2019</b>
Stock options granted	3,000,000	818,263	\$0.60	April 13, 2021
Stock options granted	312,500	44,126	\$0.80	April 13, 2019
Stock options granted	400,000	(Unvested)	\$0.70	September 14,2022
Stock options granted	112,500	48,793	\$0.86	September 29, 2022
<b>Balance as at September 30, 2017</b>	<b>4,009,832</b>	<b>\$ 947,553</b>		

On November 12, 2014, the Corporation granted 184,832 options to members of management which are exercisable within five years from the date of grant at an exercise price of \$0.60 per share. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 58.90%; (iii) risk-free interest rate of 0.74%; (iv) share price of \$0.60; forfeiture rate of nil; and (v) expected life of 24 months. The expected volatility is based on the historical trading prices of the Company. The Options vest immediately and the Company has recorded the fair value \$36,371 of the options granted as share-based compensation expense in the nine months ended September 30, 2017.

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### 14. Contributed Surplus (continued)

On April 13, 2017, the Company granted 3,000,000 stock options to management, employees, directors and consultants of the Company. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 58.90%; (iii) risk-free interest rate of 0.94%; (iv) share price of \$0.60; forfeiture rate of nil; and (v) expected life of 48 months. The expected volatility is based on the historical trading prices of the Company. The Options vest immediately and the Company has recorded the fair value \$818,263 of the options granted as share-based compensation expense in the nine months ended September 30, 2017.

On April 13, 2017, the Company granted 312,500 options to consultants. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 58.90%; (iii) risk-free interest rate of 0.74%; (iv) share price of \$0.60; forfeiture rate of nil; and (v) expected life of 24 months. The expected volatility is based on the historical trading prices of the Company. The Options vest immediately and the Company has recorded the fair value \$44,126 of the options granted as share-based compensation expense in the nine months ended September 30, 2017.

On September 14, 2017, the Company granted 400,000 options to consultants. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 81.54%; (iii) risk-free interest rate of 1.21%; (iv) share price of \$0.86; forfeiture rate of nil; and (v) expected life of 60 months. The expected volatility is based on the historical trading prices of the Company. Pursuant to the stock options agreement, 50% of the 400,000 options will be vested when the stock prices reaches a weighted average price of \$1.20; the rest 50% of the 400,000 options will be vested when the warrants get exercised at \$1.20. The vesting condition was not realized and the Company has recorded \$Nil of the fair value \$235,581 of the options granted as share-based compensation expense in the nine months ended September 30, 2017.

On September 29, 2017, the Company granted 112,500 options to consultants. The fair value of the Options has been estimated using the Black-Scholes warrant pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 81.38%; (iii) risk-free interest rate of 1.21%; (iv) share price of \$0.86; forfeiture rate of nil; and (v) expected life of 60 months. The expected volatility is based on the historical trading prices of the Company. The Options vest immediately and the Company has recorded the fair value \$48,793 of the options granted as share-based compensation expense in the three months ended September 30, 2017.

### 15. Related Party Transactions

The Company's key management includes CEO, CFO, CSO, Directors and the Secretary of the Board. Transactions with related parties include:

- Salaries and service fee;
- Loans payable without bearing interest and due at demand; and
- Loans receivable with interest rate as the prime rate per annum +1.5% and due at demand.

The amounts due to related parties are recorded at the exchange amounts as agreed upon by the related parties under contracts signed with them, non-interest bearing (except promissory notes), unsecured and with no fixed repayment terms.

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### 15. Related Party Transactions (continued)

The balances outstanding are as follows:

	September 30, 2017	December 31, 2016
Accounts payable and accrued liabilities	\$ -	\$ 58,772
Interest receivable	-	6,016
Loans receivable	\$ -	\$ 39,200

For the nine and three month periods ended September 30, 2017 and 2016, total remuneration/service fees paid and interest income earned to/from the key management is as follows:

	9 months September 30, 2017	9 months September 30, 2016	3 months September 30, 2017	3 months September 30, 2016
Interest income	\$ 222	\$ 3,917	\$ -	\$ (343)
Share based compensation	978,750	-	-	-
Salaries	271,861	207,692	98,578	42,132
Fees	\$ 150,000	\$ 110,000	\$ 40,000	\$ 30,000

Upon receipt of the license to sell medical cannabis, and as per previously disclosed contracts between the Company and certain key management personnel, 1,125,000 compensation shares were issued in the nine months ended September 30, 2017 (2016: Nil).

### 16. Lease Commitments

The Company leases its 25,620 sq. ft. premises in Aylmer, Ontario for a term of 5 years starting May 1, 2014 for a base rent of \$16,013 per month plus applicable taxes. The Company has an option to extend the lease for an additional 3 terms of 5 years each. In addition, the Company has an option to purchase the property for \$1,500,000 anytime during the term of the lease.

2017	\$ 48,038
2018	\$ 192,150
2019	\$ 192,150
2020	\$ 64,020

### 17. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

#### (a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The Company does not have long term liabilities as at September 30, 2017 and December 31, 2016.

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### 17. Financial Instruments (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following types of risk: credit risk, foreign exchange risk, liquidity risk and cash flow risk. The company is exposed to interest rate risk on its interest bearing Debentures which is limited due to the short-term nature of the loans, all of which have been automatically converted by the Company into common shares.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is not exposed to any significant credit risk other than loans receivable. Cash is generally invested in cash accounts held in Canadian chartered banks. The Company's loans receivable disclosed in Note 7 was collected in full subsequent to year-end. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable.

(d) Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer or lender, or that an obligation in a foreign currency was made to the Company to a supplier or partner, is different at the time of settlement than it was at time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company did not have any hedges at the time that the financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk. In the opinion of management, the foreign exchange risk exposure to the Company is low and is not material. As at September 30, 2017 and December 31, 2016, the Company held cash and cash held in trust in US dollars of \$Nil and \$34,544 respectively.

(e) Liquidity risk

The Company does have a liquidity risk in the accounts payable and accrued liabilities of \$686,434 which are due within one year. Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate working capital to repay trade creditors as they become due. In the opinion of management the liquidity risk exposure to the Company is low.

(f) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate. In the opinion of management, the cash flow risk exposure to the Company is low.

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### 18. Capital Management

The Company includes equity, comprised of common shares, contributed surplus and deficit, in the definition of capital. The Company's objectives when managing capital are as follows:

- (i) To safeguard the Company's assets and ensure the Company's ability to continue as a going concern; and
- (ii) To raise sufficient capital to achieve the ongoing business objectives including funding of future growth opportunities and meeting its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

### 19. Subsequent Events

#### a) *Financing*

On November 2, 2017 the Company closed a private placement of 15,000 convertible unsecured debentures (the "Convertible Debentures") at a price per Convertible Debenture of \$1,000 for gross proceeds of \$15,000,000 (the "Offering") with a syndicate of underwriters led by Eight Capital and including Haywood Securities Inc. and Mackie Research Capital Corporation (together with Eight Capital, the "Underwriters").

The Convertible Debentures bear interest at a rate of 8.0% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The Convertible Debentures have a maturity date of 24 months from the closing of the Offering (the "Maturity Date").

The Convertible Debentures will be convertible at the option of the holder into common shares of the Company ("Shares") at any time prior to the close of business on the Maturity Date at a conversion price of \$1.20 per Share (the "Conversion Price"). At any time after March 3, 2018, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should the (1) daily volume weighted average trading price of the Shares be greater than \$2.00, for any 10 consecutive trading days, and (2) the volume traded during each weighted average price day is not less than 50,000 common shares. As consideration for its services, the Underwriters received a cash commission equal to 6% of the gross proceeds of the Offering.

The Company also issued to the Underwriters 375,000 compensation warrants. Each compensation warrant is exercisable into one common share at the Conversion Price for a period of 24 months following the closing of the Offering.

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### 19. Subsequent Events (continued)

#### b) *Production Expansion*

On November 22, 2017, the Company entered into a definitive lease and purchase option agreement with Perfect Pick Farms Ltd. ("Perfect Pick"), a large-scale modern greenhouse cultivator located in Strathroy, Ontario. Perfect Pick owns 98-acre property includes 610,000 sq. ft. or 14 acres of state-of-the-art greenhouse facilities that are ready for rapid retrofit for cannabis cultivation.

#### Transaction Details:

- Lease: WeedMD has entered into a two-year lease agreement with Perfect Pick to lease an initial 217,800 sq. ft. of greenhouse space for \$60,000 net per month, with the option to increase the leased space to cover the balance of an additional 392,040 sq. ft. of greenhouse. WeedMD has the option to extend the term of the lease for an additional 10 years
- Down payment on Purchase Option: WeedMD has issued 3,000,000 shares from treasury at a price of \$1.56 per share, with the shares subject to four-month regulatory hold in addition to a 36-month lock-up and leak-out agreement with monthly releases. The Company has also issued 3,000,000 share purchase warrants, with each warrant exercisable into a common share of WeedMD at an exercise price \$1.56 per share for a period of five years
- Purchase Option: WeedMD has the option to acquire a 100% interest in the property for the balance of \$22.6 million in cash payments, comprised of (i) \$15.6 million upon exercise of the option, and (ii) \$7 million upon the satisfaction of certain performance-related milestones. This option has a five-year term and the Company has already commenced discussions with various lenders, who are interested in providing debt financing secured against the property on commercially reasonable terms once the purchase option is exercised

#### c) *Exercise of warrants*

Subsequent to the quarter end, the Company issued 8,057,575 common shares from the exercise of warrants at exercise price of \$0.80 per share for net proceeds of \$6,446,060.

#### d) *Van der Pop Partnership*

On November 16, 2017, WeedMD and Van der Pop ("VdP"), one of North America's leading female-focused cannabis brands, together with parent TS BrandCo Holdings Inc. ("Tokyo Smoke"), signed a definitive agreement whereby WeedMD will distribute two strains of cannabis under the VdP brand in Canada. VdP-branded strains will be available through WeedMD's website by the end of 2017.

In connection with the agreement, the Company has agreed to issue to Tokyo Smoke 76,923 common shares of the Company, of which 25% have been issued and 25% will be issued on each of February 15, 2018, May 15, 2018 and August 15, 2018. In addition, the Company has agreed to issue to Tokyo Smoke 50,000 warrants with an exercise price of \$1.49 per common share of the Company exercisable for two years, of which 25,000 warrants will vest and be exercisable upon the cumulative shipments of 150 kilograms of flower (or the equivalent amount of oil), and the other 25,000 warrants will vest and be exercisable upon the cumulative shipments of 300 kilograms of flower (or equivalent amount of oil).

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### 19. Subsequent Events (continued)

#### e) *Long-Term Care Contracts*

On September 22, 2017, WeedMD announced that it had signed first series of agreements to supply medicinal cannabis products on an exclusive basis with three long-term care (“LTC”) and retirement home providers. These include peopleCare Communities, Arbour Heights, and the Belmont Long Term Care Facility, which together total nine homes with more than 1,000 beds across Ontario.